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Austrian krone. To a great extent this set of people is intermingled with foreigners, chiefly former "war-refugees" from Eastern Galicia and Bucovina, who, after having settled down in Vienna permanently, make the best of the prevailing conditions by accumulating riches.

In this respect the low rate of exchange has had the most serious consequences for Austria. It first led to selling off Austrian necessities, which wandered abroad frequently only to be re-imported after a time and sold at a high price when the shortage of commodities became intolerable. This favorable opportunity over, an unrestrained speculation in foreign values and exchanges set in to the detriment of the rate of exchange and purchasing capacity of the krone at home and abroad. In Austria many of the parasites described contribute vastly toward the rise in prices and there is no legal means to stop them or even to subject them to an effective taxation. Apart from this motley crowd of speculators from home and abroad, the set securing the doubtful fame of Vienna as a center of "luxuries and pleasures,"

is formed of foreigners. They flock together from the National States and the abnormally high purchasing power of their money makes Vienna the "cheapest city in all the world" for them. Exactly like the above-mentioned set of Austrian and foreign speculators they are in a position to satisfy a taste for the luxuries of life which is denied to the rest of the population. The restaurants, places of entertainment, big emporiums, theatres and even the places where serious art is cultivated reckon with the "new rich" as their chief customers, whereas the enjoyment of all the refinements of art and civilization is denied to the intellectual middle classes of the native population.

The antagonism of the classes and masses has thus been intensified in an alarming degree. A new exceedingly low-bred social layer has come to the surface, the "new rich." It will be a long and arduous task to heal the serious economic, social and, last but not least, the injuries to ideals in the new Republic of Austria and this task will require the steady, organized assistance of the civilized countries of the West.

CHAPTER VII

Austrian Banks

By DR. MAX SOKAL

Manager of the Wiener Giro-und Kassen-Verein, Vienna

IT was prophesied of Austrian Banks, that after the collapse of the Austro-Hungarian Monarchy they would have greatly to reduce their establishments on account of the diminution of their sphere of action, the vastness of their organizations being wholly out of proportion to the requirements of crippled Austria.

So far this hypothesis has been dis-

proved by facts. The banks very soon had to extend their business, to increase their staff, to enlarge their premises; and the turnover of the last financial year, where balance sheets are already available, shows a considerable surplus over that of preceding periods, a surplus, which is, of course, partly accounted for by the steady depreciation of Austrian currency.

In the period immediately following the cessation of hostilities, the Austrian banks were chiefly busy carrying out measures of an economic nature (whether emanating from the state or from organizations and individuals) which were a consequence of arrangements made between Austria and the new states, such as the liability for state bonds, etc. But very shortly afterwards, proper banking set in in Vienna which, beginning with the business in stocks and foreign exchanges, grew in intensity, and with the reconstruction of industry and trade soon embraced all departments of normal banks.

BRANCH REORGANIZATION IN NEW STATES

A transformation and reorganization had to be worked out in the case of branches of Austrian banks situated in some of the new states where the political situation made it necessary to give to the branch of the Austrian bank the status of an independent institution. The Czecho-Slovakian government, for instance, enacted restrictive regulations concerning the admission of branch establishments of foreign banks. Those which exist already must not carry on their business any longer than five years, and even this short lease is made subject to conditions.

Under these circumstances, some Vienna banks preferred to reorganize their branches situated on Czecho-Slovakian territory and others are about to do the same. A similar policy is being adopted in the case of branches in what is now Poland and Jugoslavia. These new banks are, of course, to a certain extent controlled by their mother-institutions which hold a considerable portion of their shares and have come to special arrangements with them. On the other hand, Vienna banks have lately begun to add

to the number of their branches in provincial towns of Austria. This policy is a consequence of the fact that the peasantry, comparatively speaking, is much better off now-a-days than the town folk and that, in this sense, country places have gained in economic importance at the expense of the capital.

Side by side with the branches of Vienna banks, however, new banks have arisen in the Succession States which were intended partly to cater to the special wants of the agrarian population and partly, also, to apply themselves to the trade in foreign exchanges.

The chief interest of Austrian banks centers in the financing of industry but of late, especially in the last year, the strongly increasing transit trade of Vienna has afforded opportunity for all sorts of banking transactions. What the industrial clients demanded of the banks was that they should be provided with capital for obtaining raw material and labor, the nominal cost of both having risen to exorbitant figures, and thus enabled gradually to resume their work in the home market and export trade. The close connection which has always existed in Austria between banks and industrial establishments greatly facilitated that task and the latter could generally rely upon being backed up in case of need by their banks. On the other hand, many industrial undertakings have increased their capital generally with the assistance of banks which assisted willingly with a view to relieving the pressure on their own means which would otherwise have been taxed too highly.

STOCK EXCHANGE DEALINGS

Complicated problems of a technical and economic nature had to be solved by the banks through the constantly growing interest of the public in stock exchange dealings, a tendency which

has become peculiarly marked since the autumn of 1920, the banks making a point as far as lay in their power of keeping away mere gamblers from transactions in stocks and foreign exchanges. A comparison of figures published in the yearly reports of the *Wiener Giro-und-Kassen-Verein* for 1918, 1919 and 1920 throws light on the increasing importance for banks and bankers of the exchange business. The *Wiener Giro-und Kassen-Verein*, it may be stated here, is entrusted with the technical liquidation of all dealings in stocks done at the Exchange and in addition to that, although there is also a Clearing Association of the Austro-Hungarian Bank, with the clearing between the various banks and bankers.

The total turnover of the *Wiener Giro-und Kassen-Verein* amounted as follows:

1. In kronen: 1918, 99,964,291; 1919, 115,354,377; and 1920, 593,-214,985.

2. In the number of checks drawn on the institution: 1918, 95,092; 1919, 79,686; and 1920, 255,736.

I may mention in this connection that the system of stock clearing which is employed at the Vienna Exchange, and which is carried out by the *Wiener Giro-und-Kassen-Verein*, is rather unique in its way. It is now being imitated in Prague and Budapest, and by far surpasses that customary in Paris and Berlin. This system makes it possible to clear gigantic turnovers in a very short time with a staff relatively small. Leaving other causes out of the question, it would appear that this high efficiency is one of the reasons why stock exchanges in the new states did not develop intensively. It is a fact that organization and technical superiority play a far bigger part than is commonly thought. The security warranted by a thoroughly efficient clearing is of decisive influence for the

development and the importance of the Exchange.

In other respects, also, for instance in their safes and treasure vaults which are constructed according to the newest and most approved systems, Vienna banks stand on a remarkably high level. Vienna boasts of the most modern bank palaces. I need mention only the *Wiener Bank-Verein*, the *Niederösterreichische Escompte-Gesellschaft* and the stately pile of the *Credit Anstalt*, which is not yet finished. On a great number of other bank premises, reconstructions and improvements have been effected. This modern construction in addition to their splendid organization and their highly trained staff makes Vienna banks extremely capable economic instruments.

FOREIGN EXCHANGES

The disruption of the currency which set in shortly after the collapse of the Monarchy and in consequence of which the new states evolved separate money standards has greatly stimulated dealings in foreign exchanges in Austria. Such dealings, contrary to what was the case up to the autumn of 1920, are now free of government restrictions. There is a clearing in foreign exchanges under the supervision and guidance of the *Devisenzentrale*, State Office for Regulating the Trade in Foreign Exchanges, which since its coming into existence has been able, with very few exceptions, to procure to industry and commerce those foreign exchanges which they required. Restrictive regulations, however, are still in force with regard to the Austrian krone which is transferable from one "inland" account to another only. Its transfer to a "foreign" account is subject to the granting of a special permit by the *Devisenzentrale*.

The fact that since this time last year so many new banks and banking

houses have been established, all dependent upon making a profit out of the trade in foreign exchanges, will alone serve to show that Vienna has become an important center for the trade in this commodity.

Balance sheets of the larger banks, for 1920, as far as they were available up to time of writing, are shown in Table 1.

An examination of these figures will give a clear insight into the economic situation of the moment which is characterized by a large gross revenue, high working expenses, enormous taxation and large pecuniary requirements of customers. A brisk demand for stocks has been alluded to above as being typical of the last few years. This tendency has created interest abroad in Austrian stocks and as a natural consequence, a still stronger demand at home.

INFLUX OF FOREIGN CAPITAL

Austrian economists have been watching this phenomenon with somewhat mixed feelings. A general clearance sale was ironically spoken of in connection therewith, and fear was entertained in some quarters lest Austria's industry and banks pass completely under foreign control. As far as can be judged now, however, the influx of foreign capital has proved beneficial to Austrian concerns; for it must not be overlooked that the Peace Treaty had brought Austria into a position which made her completely incapable of surmounting by her own strength the numerous restrictions and impediments to trade with other countries, and a resumption of relations was made possible only by the interested assistance of foreign capital.

On the other hand, from the point of view of foreign capitalists it may be said that investments in culturally and industrially developed Austria stand an excellent chance of proving advan-

tageous. Many industrial undertakings and banks involve shares of foreign capital, a Belgian and an American group being at present interested in the *Wiener Bank Verein* and in the *Credit Anstalt für Handel und Gewerbe*, respectively; French capital, in the *Boden-Credit Anstalt* and in the *Wiener Kommerzbank*, and Italian financial circles, in the *Niederösterreichische Escompte-Gesellschaft*. Two banks, viz., the *Länderbank* and the *Anglo-oesterreichische Bank*, are the object of special state legislation. It is intended to convert the *Länderbank* into a French and the *Anglo-oesterreichische Bank* into a British banking institution, and to transfer their headquarters to Paris and London respectively; but this change of nationality has to be authorized by the Austrian legislature. Bills to that effect are at present under parliamentary discussion.

Foreign interest in Austrian banks generally took shape when, and where a bank was about to raise its capital. Raising of the capital had continually to be resorted to, in intervals of various duration, these last two years, in order to balance the depreciation of money which had its counterpart in the enormously increased figures of all bank transactions. It is only fair to say, however, that such measures were decided upon and finally taken very cautiously and did not by a long way keep pace with the depreciation of the currency. Table 2 shows the increase of capital of the various banks.

RATE OF EXCHANGE

The favorable opinion of the Exchange in regard to these transactions is proved by the fact that the new shares were invariably taken over smoothly and that the syndicates for their issue were very short-lived. Another proof is furnished by the exchange value of shares.

TABLE I
SIGNIFICANT FIGURES FROM THE BALANCE SHEETS OF THE LARGER BANKS FOR 1920

	Wiener Bankverein	Boden-Cre- dit-Anstalt	N. ö., Escompte- Gesellschaft	Union- bank	Verkehrs- bank	Depositen- bank	"Mercur"	Central- bank d. deutsche. Spark.	Wiener Kommersialbank	Steier- märk Escompte- bank
1. Total balance	10,318,350	6,649,675	2,969,272	2,950,764	4,456,954	3,827,160	2,842,924	3,599,724	1,564,365	1,080,577
2. Creditors	8,983,531	5,625,752	2,546,300	2,541,728	3,486,861	3,119,081	2,331,776	2,585,427	1,393,151	916,693
3. Treasury bills and savings bank-books	623,255	.....	48,576	95,079	277,361	143,840	131,729	161,984	13,990	60,039
4. Acceptances	24,500	35,340	34,985	54,384	6,960	14,120	27,377	.....	.....	.....
5. Debtors	7,236,706	5,288,131	2,495,179	2,268,581	3,689,826	2,431,360	2,311,956	1,558,099	1,306,560	1,027,723
6. Bills	438,572	235,347	199,705	180,211	34,382	334,448	117,739	33,733	25,671	9,360
7. Stocks	341,671	146,871	64,966	104,389	90,320	109,771	93,586	127,651	47,509	11,107
8. Payment for syndicate business	146,788	82,718	58,891	22,719	76,644	93,722	44,432	.....	40,443	908
9. Revenue from interest	160,252	63,024	57,242	50,205	43,846	73,674	40,948	44,238	30,907	16,766
10. Revenue from commission business	77,316	46,037	46,977	44,767	110,732	52,964	50,166	35,999	29,992	17,956
11. Profits of foreign values, stocks etc.	156,575	44,245	33,316	42,234	18,150	74,857	41,220	.....	37,053	15,223
12. Salaries, Pensions, etc.	155,937	46,218	48,966	56,239	66,103	69,887	56,945	56,738	23,795	17,786
13. Expenses	89,749	12,307	10,898	21,127	44,913	33,310	21,981	28,712	17,445	15,448
14. Taxes	69,226	49,630	19,014	26,575	13,427	20,618	20,348	10,565	21,361	2,839
15. Net-return	76,775	45,459	36,624	33,418	49,031	76,503	39,341	16,966	35,628	13,900

Note. Values are given in thousand kronen.

TABLE 2
INCREASE IN THE NOMINAL CAPITAL OF IMPORTANT BANKS

<i>Institut</i>	1914	1917	1918	1920	1921 p3. 15. 3.
Anglobank	100,000,000	130,000,000	150,000,000	200,000,000	300,000,000
Bankverein	150,000,000	150,000,000	180,000,000	300,000,000	300,000,000
Boden-Credit-Anstalt.	54,000,000	63,000,000	75,000,000	105,000,000	150,000,000
Centralbank d. deutsch. Spark.	30,000,000	30,000,000	50,000,000	80,000,000	120,000,000
Credit Anstalt	150,000,000	170,000,000	200,000,000	320,000,000	400,000,000
Depositenbank	33,000,000	60,000,000	80,000,000	300,000,000	300,000,000
Escomptegesellsch.	110,000,000	100,000,000	100,000,000	150,000,000	150,000,000
Länderbank	130,000,000	130,000,000	160,000,000	160,000,000	160,000,000
"Mercur"	50,000,000	66,000,000	80,000,000	180,000,000	200,000,000
Unionbank	70,000,000	100,000,000	100,000,000	150,000,000	200,000,000
Verkehrsbank	50,400,000	65,000,040	75,040,000	175,000,000	175,000,000
Kommerzialbank .....	.....	30,000,000	45,000,000	150,000,000	150,000,000
Wr. Lombard-u Escompte- bank	10,000,000	15,000,000	20,000,000	100,000,000	100,000,000

The favorable opinion of bank shares entertained in competent quarters is, of course, largely due to their lucrativeness. Table 3 shows the percentage of dividend paid by banks.

IMMEDIATE PROBLEMS

The preceding sketch will not leave on the mind of the reader an adequate

impression of the task set before Austrian banks unless he remembers constantly how their will to work and their efforts to revert to normal business have to struggle against the obstacles erected by the Treaty of St. Germain. The budgetary position of the state, and in connection therewith the currency question, the economic

TABLE 3
AMOUNT OF THE DIVIDENDS, IN PER CENT, PAID BY IMPORTANT BANKS

<i>Institut</i>	1913	1915	1917	1919	1920
Anglo-österr. Bank	8 1/3	8 3/4	10 5/6	10	
Wiener Bank-Verein	8	7	8 1/2	8 1/2	12
Boden-Credit-Anstalt	20	20	22	20	20
Credit Anstalt	10 5/8	10	12 3/16	11 7/8	15
Escompte-Gesellschaft	10 1/2	11	12	12	14
Länderbank	7 1/2	6	8	6	
Unionbank	8 1/2	7 1/2	9	9	11
Centralbank d. deutsch. Spark.	5	4 1/2	5 1/2	6 1/2	8
Depositenbank	8 1/2	8 1/2	9 3/4	10	12 1/2
"Mercur"	9	7	9 1/2	10	12 1/2
Allg. Verkehrsbank	7.85	6 3/7	8 4/7	10	12.85
Wr. Lombard-u. Escompte- bank	6 1/2	5	5	5	
Wr. Kommerzialbank gegr. 1916			6	8	10

policy of the new states, the financial arrangements to be made with them, the payment of pre-war debts (especially kronen debts) constitute so many problems which the managers of Austrian banks have always to keep before them and which continually remind them that the greatest efforts are needed to surmount these difficulties.

Austria is a small country, but it is to be doubted whether even among the larger countries of the world there can

be found one upon which is incumbent the solution of so many complicated problems as confront this advanced post of western culture in Central Europe. It is therefore only natural that an appreciation of the Austrian, or more especially the Vienna, question should take this fact into account. Conditions in Austria have become sufficiently consolidated to make clearly discernible the economic bearing of the problem as shown in the balance sheet of the banks.

CHAPTER VIII

Traffic and Transport in Austria

Compiled by the Ministry for Transport and Traffic

THE transport system of Austria is not the necessary effect of an economic evolution; it is indeed, like the state itself, nothing but the torso, the western fragment of a once united system. Vienna, the former center of traffic, is now situated, with all its central apparatus, on the periphery of a small country. This fact should not be overlooked in considering the transport system and the separate means of transportation.

AUSTRIAN RAILWAYS

The total railway net of the Austrian state railways has, including the small railways, a length of 6,940.05 kilometers; of these 3,415.79 kilometers called *Bundesbahnen* fall to the share of railways in the possession of the government; 302.45 kilometers, to railways belonging to private societies but operated for the government, and 836.76 kilometers, to state railways operated by private individuals; so that 4,555 kilometers are at present operated by the state.

The length of the private railways

amounts now to 921.81 kilometers. The share of the Südbahn Gesellschaft, whose total line was formerly in Austria and extended over 2,334 kilometers from Vienna to Triest, amounts now in Austria only to 703 kilometers, but the company has the administration of 195 kilometers of local railways in Lower Austria and Styria. The Aspang railway, 87 kilometers, Vienna-Aspang, is administrated by a shareholders' company. Independent local railways extend to a total amount of 1,072 kilometers.

In old Austria there were over 25 kilometers of small railways moved by steam, 362 kilometers, by electricity, and 1.24 kilometers of cable roads.

Only the following railways of the Austrian Republic have not been diminished: the western lines (Vienna-Bregenz, Vienna-Passau) and the line to the south (Vienna-Villach-Tarvis) at the Italian frontier. The Südbahn-Gesellschaft carries traffic only to the Jugo-Slavian frontier at Spielfeld, though its lines go further on over Jugo-Slavian and Italian territories,